

**REPORT OF THE AUDIT OF THE  
JEFFERSON COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE JEFFERSON COUNTY SHERIFF**

**For The Year Ended  
December 31, 2003**

The Auditor of Public Accounts has completed the Jefferson County Sheriff's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

The 75% operating fund at the close of this first year of a new term on December 31, 2003 was \$945,736. Operating revenues increased by \$2,092,622 from the prior year and disbursements decreased by \$691,003.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

PAGE

|  |    |
|--|----|
| INDEPENDENT AUDITOR'S REPORT .....   | 1  |
| STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS .....  | 3  |
| STATEMENT OF REVENUES, EXPENDITURES, AND<br>FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND<br>COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS.....                              | 5  |
| NOTES TO THE FINANCIAL STATEMENTS.....   | 7  |
| REPORT ON COMPLIANCE AND ON INTERNAL CONTROL<br>OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL<br>STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS ..... | 13 |





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry Abramson, Mayor, Louisville/Jefferson County Metro Government  
The Honorable John E. Aubrey, Jefferson County Sheriff  
Members of the Louisville Metro Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Sheriff of Jefferson County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2003. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2004, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable Jerry Abramson, Mayor, Louisville/Jefferson County Metro Government  
The Honorable John E. Aubrey, Jefferson County Sheriff  
Members of the Louisville Metro Council

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Jefferson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 30, 2004



JEFFERSON COUNTY  
JOHN E. AUBREY, COUNTY SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

|  |    |           |            |
|--|----|-----------|------------|
| State Grants                             |    | \$        | 22,430     |
| State Fees for Services                  |    |           |            |
| Attending Courts                         | \$ | 1,879,087 |            |
| Conveyance of Prisoners                  |    | 57,304    |            |
| Sequestered Jurors                       |    | 12,327    |            |
| KLEFPF Reimbursement                     |    | 773,859   |            |
| Court Security Reimbursement             |    | 616,320   | 3,338,897  |
| Louisville Metro                         |    |           | 215,914    |
| County Clerk                             |    |           | 82,184     |
| Commission on Taxes                      |    |           | 11,041,847 |
| Fees Collected for Services:             |    |           |            |
| Auto Inspections                         | \$ | 268,061   |            |
| Serving Papers                           |    | 1,002,857 |            |
| Executions                               |    | 368,687   |            |
| Data Services                            |    | 28,287    |            |
| Carrying Concealed Deadly Weapon Permits |    | 93,163    |            |
| Sheriff's Advertising Fees               |    | 17,610    | 1,778,665  |
| Other Revenues:                          |    |           |            |
| 10% Add On Fee                           | \$ | 1,093,879 |            |
| Interest Earned                          |    | 188,006   |            |
| Miscellaneous                            |    | 24,215    | 1,306,100  |
| Total Revenues                           |    | \$        | 17,786,037 |

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
 JOHN E. AUBREY, COUNTY SHERIFF  
 STATEMENT OF REVENUES AND EXPENDITURES - REGUALTORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures

Payments to State:

|  |    |        |
|--|----|--------|
| Carrying Concealed Deadly Weapon Permits | \$ | 56,970 |
|--|----|--------|

Other Expenditures:

|  |    |         |            |
|--|----|---------|------------|
| Executions - Third Parties                         | \$ | 349,095 |            |
| Serving Papers - Refunds                           |    | 2,922   |            |
| Carrying Concealed Deadly Weapon Permits - Refunds |    | 160     |            |
| Sequestered Jurors                                 |    | 12,327  | \$ 364,504 |
|  |    |         | <hr/>      |

|                              |    |         |
|------------------------------|----|---------|
| Total Allowable Expenditures | \$ | 421,474 |
|                              |    | <hr/>   |

|              |    |            |
|--------------|----|------------|
| Net Revenues | \$ | 17,364,563 |
|--------------|----|------------|

Payments to State Treasurer:

|                    |    |            |            |
|--------------------|----|------------|------------|
| 75% Operating Fund | \$ | 14,803,105 |            |
| 25% County Fund    |    | 2,561,458  | 17,364,563 |
|                    |    | <hr/>      | <hr/>      |

|                                    |    |             |
|------------------------------------|----|-------------|
| Balance Due at Completion of Audit | \$ | 0           |
|                                    |    | <hr/> <hr/> |

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
JOHN E. AUBREY, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2003

|  | 75%<br>Operating<br>Fund | 25%<br>County<br>Fund | Totals        |
|--|--------------------------|-----------------------|---------------|
| Fund Balance - January 1, 2003             | \$                       | \$                    | \$            |
| <u>Revenues</u>                            |                          |                       |               |
| Fees Paid to State - Operating Funds (75%) | 14,803,105               |                       | 14,803,105    |
| Fees Paid to State - County Funds (25%)    |                          | 2,561,458             | 2,561,458     |
| Total Funds Available                      | \$ 14,803,105            | \$ 2,561,458          | \$ 17,364,563 |
| <u>Expenditures</u>                        |                          |                       |               |
| Louisville Metro                           | \$                       | \$ 2,170,369          | \$ 2,170,369  |
| Personal Services-                         |                          |                       |               |
| Officials Statutory Maximum                | 91,076                   |                       | 91,076        |
| Deputies' Salary                           | 8,456,096                |                       | 8,456,096     |
| Overtime                                   | 302,821                  |                       | 302,821       |
| Employee Benefits-                         |                          |                       |               |
| Employer's Share Social Security           | 638,809                  |                       | 638,809       |
| Employer's Share Retirement                | 1,429,171                |                       | 1,429,171     |
| Employer's Paid Health Insurance           | 807,148                  |                       | 807,148       |
| Employer's Paid Life Insurance             | 6,520                    |                       | 6,520         |
| Other Payroll Disbursements                | 20,377                   |                       | 20,377        |
| Contracted Services-                       |                          |                       |               |
| Advertising                                | 1,355                    |                       | 1,355         |
| Legal Services                             | 53,092                   |                       | 53,092        |
| MIS Services                               | 56,519                   |                       | 56,519        |
| Materials and Supplies-                    |                          |                       |               |
| Office Materials and Supplies              | 51,952                   |                       | 51,952        |
| Printing                                   | 43,470                   |                       | 43,470        |
| Computer Supplies                          | 14,206                   |                       | 14,206        |
| Ammunition                                 | 3,540                    |                       | 3,540         |
| Uniforms                                   | 17,588                   |                       | 17,588        |

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
 JOHN E. AUBREY, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

| <u>Expenditures</u> (Continued)  | 75%<br>Operating<br>Fund | 25%<br>County<br>Fund | Totals        |
|----------------------------------|--------------------------|-----------------------|---------------|
| Other Charges-                   |                          |                       |               |
| Auditing and Accounting          | \$ 12,000                | \$                    | \$ 12,000     |
| Bonds and Insurance              | 341,384                  |                       | 341,384       |
| Travel and Training              | 70,894                   |                       | 70,894        |
| Dues                             | 23,905                   |                       | 23,905        |
| Postage                          | 170,843                  |                       | 170,843       |
| Equipment Maintenance            | 3,181                    |                       | 3,181         |
| Computer Maintenance             | 10,819                   |                       | 10,819        |
| Office Equipment Rental          | 12,591                   |                       | 12,591        |
| Insurance Claims                 | 5,000                    |                       | 5,000         |
| Rent                             | 6,390                    |                       | 6,390         |
| Telephone                        | 47,148                   |                       | 47,148        |
| Radio Charges                    | 17,996                   |                       | 17,996        |
| Communication Maintenance        | 18,617                   |                       | 18,617        |
| Utilities                        | 1,957                    |                       | 1,957         |
| Subscriptions                    | 4,267                    |                       | 4,267         |
| Medical expenses                 | 15,232                   |                       | 15,232        |
| Miscellaneous                    | 6,838                    |                       | 6,838         |
| Auto Expenses-                   |                          |                       |               |
| Gasoline                         | 127,361                  |                       | 127,361       |
| Maintenance and Repairs          | 126,647                  |                       | 126,647       |
| Insurance                        | 193,566                  |                       | 193,566       |
| Parking                          | 149,581                  |                       | 149,581       |
| Capital Outlay-                  |                          |                       |               |
| Office Equipment                 | 18,819                   |                       | 18,819        |
| Communications Equipment         | 34,597                   |                       | 34,597        |
| Computers                        | 106,156                  |                       | 106,156       |
| Law Enforcement Equipment        | 1,993                    |                       | 1,993         |
| Vehicles                         | 335,847                  |                       | 335,847       |
| Total Expenditures               | \$ 13,857,369            | \$ 2,170,369          | \$ 16,027,738 |
| Fund Balance - December 31, 2003 | \$ 945,736               | \$ 391,089            | \$ 1,336,825  |

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
JOHN E. AUBREY, COUNTY SHERIFF  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2003  
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent for the first six months of the year and 18.51 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bonds which named the Sheriff as beneficiary/obligee on the bonds.

Note 4. Leases

Commitments to the following lease agreements as of December 31, 2003 were:

| Item<br>Purchased  | Monthly<br>Payment | Term of<br>Agreement | Ending<br>Date   | Principal<br>Balance<br>December 31,<br>2003 |
|--------------------|--------------------|----------------------|------------------|--|
| Five copy machines | \$ 892             | 48 months            | February 8, 2006 | \$ 21,389                                    |
| Copy machine       | \$ 121             | 36 months            | January 28, 2006 | \$ 2,896                                     |

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2003  
 (Continued)

Note 5. Grant

The Sheriff was awarded a violence against women investigator/intake center grant from the Kentucky Justice and Public Safety Cabinet in the amount of \$41,869. Federal funds in the amount of \$31,285, match funds in the amount of \$10,584 and overmatch funds in the amount of \$30,904 were expended.

Note 6. Tax Account Surplus

The Sheriff's tax account surplus as of December 31, 2003 consisted of the following:

|                       |                  |
|-----------------------|------------------|
| 1997 Tax year surplus | \$147,968        |
| 1998 Tax year surplus | 14,293           |
| 1999 Tax year surplus | 161,509          |
| 2000 Tax year surplus | 130,881          |
| 2001 Tax year surplus | 32,225           |
| 2002 Tax year surplus | <u>55,460</u>    |
| Total                 | <u>\$542,336</u> |

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.090, effective through June 23, 2003, property is presumed abandoned after seven years, after which time it is to be turned over to the Kentucky State Treasurer. After KRS 393.090 was amended, effective June 24, 2003, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer, in accordance with KRS 393.110.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry Abramson, Mayor, Louisville/Jefferson County Metro Government  
The Honorable John E. Aubrey, Jefferson County Sheriff  
Members of the Louisville Metro Council

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Jefferson County Sheriff for the year ended December 31, 2003, and have issued our report thereon dated July 30, 2004. This was a special report on the County Sheriff's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jefferson County Sheriff's financial statements as of December 31, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 30, 2004

